

COLUMBIA GAS TRANSMISSION CORPORATION

IBLA 74-33

Decided October 12, 1973

Appeal from a decision of the Eastern States Office denying reinstatement of oil and gas lease offers ES 2283, ES 2284, ES 2285, and ES 2999, terminated by operation of law for failure to pay the annual rental on or prior to the due date.

Affirmed.

Oil and Gas Leases: Reinstatement! ! Oil and Gas Leases: Rentals

An oil and gas lease terminated by operation of law for failure to timely pay the advance rentals can only be reinstated when the lessee shows that his failure to pay the rental on or prior to the anniversary date was justifiable or not due to a lack of reasonable diligence.

Oil and Gas Leases: Reinstatement! ! Oil and Gas Leases: Rentals

The normal inconveniences and difficulties attending a company reorganization will not be deemed a justifiable reason for failure to exercise reasonable diligence in paying the advance rentals due on an oil and gas lease.

APPEARANCES: W. C. McCullough, Area Superintendent, Columbia Gas Transmission Corporation, for the appellant.

OPINION BY MR. HENRIQUES

Columbia Gas Transmission Corporation [CGTC] appeals from a decision of the Eastern States Office refusing to grant reinstatement of its oil and gas leases ES 2283, 2284, 2285 and 2999, terminated by operation of law for failure to pay the annual rental on or before the due date.

The rental was due on or before June 1, 1973. It was not received until June 4, 1973. Thus, under the provisions of section 31 of the Mineral Leasing Act, as amended, 30 U.S.C. § 188, the lease terminated by operation of law. The envelope in which the payment was sent was postmarked June 1, 1973, the due date, in Pittsburgh, Pennsylvania.

It is clear, therefore, that reasonable diligence was not shown by appellant, and the major issue in this case is whether the failure to timely pay the advance rental was "justifiable" within the meaning of section 31 of the Mineral Leasing Act, as discussed in Louis Samuel, 8 IBLA 268 (1972), and R. G. Price, 8 IBLA 290 (1972).

On appeal, CGTC argues that the failure to exercise reasonable diligence was the result of a restructuring of CGTC internal operations involving the phasing out of its Pittsburgh Office and the transfer of certain functions from Columbus, Ohio, to Charleston, West Virginia. Additionally, appellant states:

During the latter part of May and early June, 1973, our Charleston, Columbus and Pittsburgh Land Accounting Sections of our Treasury Department endeavored to incorporate their divergent computer systems for land accounting purposes into one unit system now located at our Charleston, West Virginia headquarters. Numerous problems developed in the mating procedure which resulted in untimely delays insofar as scheduling was concerned. It is my understanding that the system is now functioning satisfactorily and tardiness in lease rental payments is precluded.

We have no doubts that a restructuring occurred within the time frame mentioned above. We note, however, that since the postmark on the envelope containing the rental payment was Pittsburgh it is open to question whether, as of the time of the posting of the payment, the consolidation had not been effected at the Pittsburgh Office.

In any eventuality, we cannot say that the failure to timely pay the advance rental, given the factual construct of this case, was justifiable. It is true, of course, that any generalized restructuring of a company will create management problems. A result of this realization, however, should be increased vigilance to prevent precisely the sort of error which occurred here, improper programming. This is not a case in which events totally beyond the control of a company occurred leading to a failure to exercise reasonable diligence. Rather, the difficulties which ensued were the direct result of conscious action on the part of the appellant, the possible adverse consequences of which it should have been aware and taken adequate steps to prevent. As we have stated previously:

Companies are not held to a higher standard of diligence by the mere fact of their corporate structure. But by the same token, they cannot hide behind the bulk and complexity of their organizations, so as to make "justifiable" for them actions which would not be held to be justifiable for individual lessees.

Monturah Company, 10 IBLA 347, 348 (1973). Therefore, we find that the Eastern States Office correctly refused to grant reinstatement.

Accordingly, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is affirmed.

Douglas E. Henriques  
Member

We concur:

Newton Frishberg  
Chairman

Frederick Fishman  
Member

